

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 INT-05 GSA-01 AID-05 CEA-01

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01

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TO SECSTATE WASHDC 9309

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AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRD, EIND, JA, EEC

SUBJECT: STEEL: EC FORWARD PROGRAM AND JAPANESE IMPORTS

REFS: A. TOKYO 9283

B. STATE 162923

C. TOKYO 8669

D. EC BRUSSELS 5377

E. EC BRUSSELS 2927

1. SUMMARY: THE EC COMMISSION STEEL DIRECTOR DOES NOT EXPECT AN UPTURN IN THE DEMAND FOR STEEL IN EUROPE BEFORE THE END OF THE YEAR AND THE COMMISSION MAY SUGGEST FURTHER DECREASES IN EC STEEL PRODUCTION DURING THE FOURTH QUARTER. THE VOLUNTARY AGREEMENT BY THE JAPANESE TO LIMIT EXPORTS TO THE EC IN 1975 TO 1.2 MILLION METRIC TONS REFLECTS THEIR WILLINGNESS TO GET IN LINE WITH THE CUTS IN EC STEEL PRODUCTION THE COMMISSION IS ADVOCATING WITH ITS INDICATIVE PRODUCTION FIGURES. END SUMMARY.

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2. ON JULY 15, PETRICK THE EC COMMISSION DIRECTOR FOR STEEL, TALKED WITH US REGARDING THE OUTLOOK FOR EC STEEL PRODUCTION AND JAPANESE VOLUNTARY EXPORT RESTRAINTS.

3. OUTLOOK FOR EC STEEL PRODUCTION: PETRICK SAID THAT ALL AVAILABLE INFORMATION SUGGESTS THAT THERE WILL BE NO UPSWING IN DEMAND FOR STEEL BEFORE THE YEAR'S END. HE BELIEVES THE EC FORWARD PROGRAM FOR STEEL, WITH ITS "INDICATIVE" PRODUCTION FIGURES AND REPORTING REQUIREMENTS, WILL PROVIDE SLIGHTLY BETTER STABILITY FOR STEEL PRICES (SEE REFTEL D). ALTHOUGH THERE WERE SOME INDUSTRY DEMANDS FOR A FINDING OF "MANIFEST CRISIS" UNDER ARTICLE 58 OF THE ECSC TREATY, AND THE SETTING OF OBLIGATORY PRODUCTION QUOTAS (SEE REFTEL E), PETRICK SAID THAT THE COMMISSION CHOSE A LESS STRINGENT APPROACH BECAUSE, INTER ALIA, THE COMMISSION WOULD HAVE HAD TO OBTAIN THE EC COUNCIL'S APPROVAL FOR ARTICLE 58 ACTION. THIS WOULD HAVE BEEN BOTH DIFFICULT AND TIME CONSUMING. IF THE SITUATION REQUIRES THAT ARTICLE 58 MEASURES BE INVOKED, SUBSEQUENTLY, THE REPORTING REQUIREMENTS NOW IN EFFECT WILL PROVIDE THE COMMISSION WITH STATISTICS TO SUPPORT ITS CASE.

4. PETRICK SAID THE 15.4 PERCENT REDUCTION IN STEEL PRODUCTION CURRENTLY SUGGESTED IS REALLY INSUFFICIENT. CUTBACKS IN THE 20-25 PERCENT RANGE, AS COMPARED WITH THE SAME PERIOD IN 1974, ARE LIKELY TO BE SUGGESTED IN THE FORWARD PROGRAM FOR THE FOURTH QUARTER. (THE CURRENT PROGRAM RUNS THROUGH SEPTEMBER.)

5. JAPANESE STEEL EXPORTS TO THE EC: PETRICK CONFIRMED THE INFORMATION IN REFTEL A THAT THE JAPANESE (MITI AND THE FOREIGN MINISTRY) HAD AGREED TO LIMIT 1975 STEEL EXPORTS TO THE EC TO 1.2 MILLION METRIC TONS. HE TOOK SOME PRIDE IN THIS JAPANESE DECISION WHICH HE CLAIMED THE JAPANESE REACHED WITHOUT EC PRESSURE AND WHICH REPRESENTED A NEW TYPE OF VOLUNTARY ORDERLY MARKETING.
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6. WE ASKED PETRICK WHETHER HE THOUGHT IT LIKELY THE JAPANESE WOULD TRY TO EXPORT TO THE US WHAT THEY WOULD NOT BE EXPORTING TO EUROPE. PETRICK SAID THAT HE OBVIOUSLY COULD NOT SPEAK FOR THE US DURING THE TOKYO MEETING, BUT HE EMPHASIZED TO THE JAPANESE THAT AS THERE WAS A SINGLE WORLD MARKET FOR STEEL, THE NEW APPROACH THEY WERE

APPLYING TO THE EC SHOULD ALSO BE APPLIED TO THE US.
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